

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY FISCAL COURT

June 30, 2006

The Auditor of Public Accounts has completed the audit of the Greenup County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Greenup County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Greenup County's major federal program, Community Development Block Grants, for the year ended June 30, 2006.

Financial Condition:

The fiscal court had net assets of \$12,201,720 as of June 30, 2006. The fiscal court had unrestricted net assets of \$1,516,655 in its governmental funds as of June 30, 2006, with total net assets of \$12,168,063. In its enterprise fund, total net cash and cash equivalents were \$33,657 with total net assets of \$33,657. The fiscal court had total debt principal as of June 30, 2006 of \$3,915,555 with \$598,305 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Greenup County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Greenup County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
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Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenup County, Kentucky's basic financial statements. The combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006 on our consideration of Greenup County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

December 8, 2006

GREENUP COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Robert W. Carpenter	County Judge/Executive
Don Fraley	Commissioner
Mike Hieneman	Commissioner
Tony Quillen	Commissioner

Other Elected Officials:

Mike Wilson	County Attorney
Jimmy Womack	Jailer
Ella Hall	County Clerk
Allen Reed	Circuit Court Clerk
Keith Cooper	Sheriff
Bill Clary	Property Valuation Administrator
Leslie Neal Wright	Coroner

Appointed Personnel:

Carol Vinson	County Treasurer
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**GREENUP COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2006



Robert W. Carpenter, *Greenup County Judge Executive*

301 Main Street • Room 102 • Courthouse • Greenup, Kentucky 41144
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Management's Discussion and Analysis

The financial management of Greenup County Fiscal Court offers the readers of the County of Greenup's financial statements this narrative overview and analysis (MD&A) for the financial activities of the County of Greenup for the fiscal year ended June 30, 2006. The information presented here should be considered in conjunction with additional *information provided in the letter of transmittal and notes to the financial statements.*

Financial Highlights

- The assets of the County exceeded its liabilities (net assets) at June 30, 2006 by \$12,168,063 for governmental activities and \$33,657 for business-type activities.
- The increase in net assets over last fiscal year is a total of \$670,026 for governmental activities and \$6,727 for business-type activities (Total increase of \$676,753).
- As of June 30, 2006, the County's governmental funds reported combined ending balance of \$1,496,655, a decrease of \$868,262 from the prior year.
- The County's total (long term and short term) net debt decreased \$902,832.
- The County received a *Litter Abatement Grant* in the amount of \$51,719
- The County acted as a pass-thru agent for several small Community Development Grants in a total amount of \$261,482, Coal Severance Grants in the total amount of \$47,000
- Federal Government awarded Greenup County a \$500,000 Community Development
- A total of \$1,445,000 was received from Federal Emergency Management Agency as reimbursement for the 2003 flood and 2003 Ice storm.
- A Community Emergency Relief Fund grant was received in the amount of \$4,000 to reimburse a portion of the expenditures the County incurred during the ice storm.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to Greenup County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in this report is required supplementary information.

Government-wide financial statements.

The *government-wide financial statements* report information concerning the overall finances of Greenup County similar to a private sector business enterprise.

The *Statement of Net Assets* presents information on all of Greenup County's assets less liability, which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the County's net assets changed as a result of the year's activities. The statement uses the modified cash basis of accounting by which all revenues and expenses are reported at the time of actual transaction with modifications made to reflect outstanding purchase orders and recording depreciation expenses on capital assets in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Assets and the Statement of Activities distinguish functions of the County that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The County's governmental activities include general government, public safety, public works, health and welfare, community development, and economic development. The business type activities are limited to the Jail Canteen.

Not only do the government-wide financial statements include Greenup County Fiscal Court itself, which is the primary government, but also its blended component unit, Public Properties Corporation. Although this component unit is legally separate, its operational or financial relationship with the County makes the County financially accountable

Governmental funds.

Governmental funds are used to report most of the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a short-term view of Greenup County operations. Such information may be useful in evaluating a government's current financing requirements.

Greenup County utilizes eleven governmental funds along with two pass-thru funds for retirement and payroll and the component unit of Public Properties. There are six major Governmental funds and the one business enterprise, which have separately presented information in the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures*, and changes in fund balances. The major funds are the General Fund, Road Fund, Jail Fund, Landfill Fund, Revolving Loan Fund, Emergency 911 Fund, and the Public Properties Corporation Fund; the Jail Canteen is the business enterprise. The non-major funds of LGEA Fund, State Grants Fund, Federal Grants Fund, and the LGED Fund are presented in the aggregate in the governmental fund financial statements. The individual fund information is presented in combining statements.

Greenup County adopts an annual appropriated budget for all funds with the exception of Public Properties Corporation and the Jail Canteen. Budgetary comparison statements for major funds have been provided to demonstrate compliance with these budgets.

Proprietary funds.

Greenup County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Jail Canteen.

Notes to the financial statements.

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Analysis.

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table compares the fiscal years 2005 and 2006:

	Governmental Activities		Percentage Change
	FY 2005	FY 2006	2005-2006
Assets			
Current	\$ 2,366,266	\$ 1,516,655	-35.91%
Noncurrent - Notes Receivable		490,000	--
Capital	14,266,193	14,076,963	-1.33%
Total Assets	<u>\$ 16,632,459</u>	<u>\$ 16,083,618</u>	-3.30%
Liabilities			
Current	\$ 331,000	\$ 598,305	80.76%
Long-term	4,816,705	3,317,250	-31.13%
Total Liabilities	<u>\$ 5,147,705</u>	<u>\$ 3,915,555</u>	-23.94%
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 9,118,488	\$ 10,161,408	11.44%
Unrestricted	2,379,549	2,006,655	-15.67%
Total Net Assets	<u>\$ 11,498,037</u>	<u>\$ 12,168,063</u>	5.83%
	(restated)		
	Business-Type Activities		
	FY 2005	FY 2006	
Assets			
Current	\$ 26,930	\$ 33,657	24.98%
Total Assets	<u>\$ 26,930</u>	<u>\$ 33,657</u>	24.98%
Net Assets			
Unrestricted	\$ 26,930	\$ 33,657	24.98%
Total Net Assets	<u>\$ 26,930</u>	<u>\$ 33,657</u>	24.98%

As of June 30, 2006, Greenup County as a whole, had assets greater than its liabilities by \$12,201,720. Greenup County's net assets are invested in capital assets (streets, bridges, buildings, equipment, etc.) The assets are net of the outstanding principal of debt associated with the acquisition of these capital assets. Therefore, these assets are unavailable for general expenditures but must be used for the intended purposes.

Changes In Net Assets. Net assets increased by \$670,026 in governmental activities and by \$6,727 in business-type activities, key elements of the increases are as follows:

	Governmental Activities		Percentage Change
	FY 2005	FY 2006	2005-2006
Revenues			
Program Revenues			
Charges for Services	\$ 62,195	\$ 8,765	-85.91%
Operating Grants and Contributions	3,030,107	2,814,254	-7.12%
General Revenues			
Taxes	1,964,109	2,218,327	12.94%
Excess Fees	47,275	36,087	-23.67%
Licenses and Permits	471,247	457,244	-2.97%
Investment Earnings	62,850	72,087	14.70%
Other Revenue	149,356	2,217,607	1384.78%
Total Revenues	\$ 5,787,139	\$ 7,824,371	35.20%
Expenses			
General Government	\$ 861,086	\$ 2,070,382	140.44%
Protection to Persons and Property	1,406,452	1,406,918	0.03%
General Health and Sanitation	679,455	387,861	-42.92%
Social Services	3,750	1,828	-51.25%
Recreation and Culture	76,138	160,578	110.90%
Roads	1,191,984	2,323,168	94.90%
Interest on Long-term Debt	213,650	220,210	3.07%
Capital Projects	1,149,570	583,400	-49.25%
Total Expenses	\$ 5,582,085	\$ 7,154,345	28.17%
Change In Net Assets	\$ 205,054	\$ 670,026	226.76%
	Business-Type Activities		Percentage Change
	FY 2005	FY 2006	2005-2006
Revenues			
Program Revenues			
Charges for Services	\$ 160,271	\$ 146,551	-8.56%
Total Revenues	\$ 160,271	\$ 146,551	-8.56%
Expenses			
Jail Canteen	\$ 160,536	\$ 139,824	-12.90%
Total Expenses	\$ 160,536	\$ 139,824	-12.90%
Change In Net Assets	\$ (265)	\$ 6,727	-2638.49%

Financial Analysis of Greenup County's Funds

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of Greenup County's governmental funds was \$1,496,655. Approximately 92% (\$1,380,055) of this amount consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder (\$116,600) is reserved and therefore unavailable.

Greenup County has seven major governmental funds including the blended component unit. These are:

1. General Fund
2. Road Fund
3. Jail Fund
4. Landfill Fund
5. Revolving Loan Fund
6. Emergency 911 Fund
7. Public Properties Corporation Fund

In addition there are four non-major governmental funds:

1. Local Government Economic Assistance (LGEA) Fund
2. State Grants Fund
3. Federal Grants Fund
4. Local Government Economic Development (LGED) Fund

MAJOR FUNDS

1. The **General Fund** is the chief operating fund of Greenup County. At the end of the 2006 fiscal year, unreserved fund balance of the General Fund was \$130,544, with the total fund balance being \$196,166. The single largest source of revenue into the General Fund was from Real Property tax revenues, which totaled \$1,073,012, or approximately 45% of total General Fund Revenues. A Homeland Security Grant in the amount of \$31,607 was received with \$26,684 being expended on Homeland Security during the Fiscal Year. An agreement with several municipalities provides that Greenup County acts as a pass-thru agent on a countywide storm water project. Revenues of \$51,646 were received for that purpose with expenditures of \$63,497 during FY2006. Another pass-thru worth mentioning is the receipts (\$48,516) and expenditures (\$53,091) for Transit room tax. Also reported, as revenues are the substantial prior year carryover and transfers to and from other funds. The remaining portion of General Fund revenue is composed from various other taxes and service fees. General fund liabilities include payment of \$241,268 toward retiring a 1997 bond issue incurred to build the annex/jail; of which the Administrative Office of the Courts reimbursed \$260,285 toward those costs during 2006. Other 2006 liabilities included payment of \$222,416 toward employee's medical cost in either premiums (\$201,628) or directly to health providers (\$20,787). Greenup Fiscal Court experienced a financial set back when the company contracted to furnish employee health insurance failed to meet its obligations. The contract was severed as of October 31, 2004, but only after thousands of dollars of medical expenses had accumulated. The Fiscal Court, under advisement of the County Attorney, voted to pay employee's medical expenses for the period of January 1, 2004 through October 31, 2004. This resulted in a significant ballooning of County expenses as the Court continued to pay during the 2006 Fiscal year.

MAJOR FUNDS (Continued)

2. The **Road Fund** relates to county road and bridge construction and maintenance. At the end of the 2006 fiscal year, unreserved fund balance was \$293,495. The single largest funding source during the 2006 fiscal year for the Road Fund came from Federal Emergency Management Agency in the amount of \$1,475,154 or 46% of total revenues. Also reported, as revenue is the substantial prior year carryover of \$863,548. Greenup County's Road Fund received \$828,702 (20%) from State in the form of County Road and Municipal Road aid. Receipts also included \$222,690 from truck license sales and a grant from State Bonds in the amount of \$440,600. Major expenditures in the Road fund included \$1,483,880 toward retirement of debt incurred by the 2003 Ice Storm. A total of \$982,371 was spent on asphalt and \$83,400 to build Barber and Buffalo Branch bridges. Other 2006 liabilities include payment of \$206,877 toward employee's medical cost in either premiums (\$85,376) or directly to health providers (\$121,501).

3. The **Jail Fund** had an unencumbered deficit of \$15,434 at June 30, 2006 with a cash balance of \$943. General fund contributed \$630,005 (approximately 56% of total revenue) to the operation of the Jail during 2006, which was up from the 47% contributed last fiscal year. The second largest revenue (\$312,111 or 27%) was from the Kentucky State Treasurer for housing Control Intake and Class D prisoners. Payments by the prisoners for housing, medical and booking services totaled only \$34,127, a decline of \$13,000 from the previous year. The largest expenditures were salaries and benefits (68%) and food (15%).

4. Greenup County's **Landfill Fund** was funded 83% by permit fees. In the 2006 Fiscal Year those revenues (\$393,754) decreased over 5% from 2005 receipts. A State Litter Abatement Grant (\$51,719) was utilized to clean up dumps in the County and a State reimbursement Grant of \$13,591 was received. June 30, 2006 the unreserved fund balance was \$5,342 while the total balance was \$78,748. Landfill liabilities include a 2002-asphalt lease of \$1,300,000, which the County incurred to blacktop 10 miles of roadway. During the 2006 fiscal year payments of \$116,722 were made toward retiring that principal and \$44,866 paid interest. Landfill also contributed \$50,000 to General fund. The remainder of the year's total liabilities was spent toward solid waste clean up, salaries and fringe benefits.

5. The **Revolving Loan Fund** was established to assist local businesses, through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise. The end of the fiscal year cash balance totaled \$405,225. As of June 30, 2006 the County expects receipts from one unpaid loan of \$10,000, which was made to the Riverport Authority in February 2002. The Court voted to make this loan, interest free and did not set a payment schedule. At June 30, 2006 no payment had been made. During this Fiscal Year the Riverport Authority borrowed \$500,000 from KACO under the County's name. This money was originally deposited in Greenup County's bank account where it stayed until the Authority purchased land. The Authority has the responsibility for making the loan payments. All other expenditures in the 2006 fiscal year were of an administrative nature.

6. The **Emergency 911 Fund** ended the year with an unencumbered balance of \$36,254. The majority (97%) of revenues were generated from telephone fees. A lease was undertaken in December 2003 for the purpose of purchasing equipment. The lease was used as a draw down with direct payment of invoices being handled by KACO and therefore the revenues/expenditures did not pass through Greenup Fiscal Court budget. The Court as the final draw down had requested \$9,813 before June 30, 2006. Expenditures made monthly to retire that lease were reported in the amount of \$40,234. Other expenditures included salaries and benefits (73%) and telephone fees (7%).

MAJOR FUNDS (Continued)

7. The **Public Properties Corporation** is a blended component unit of Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility. It is not included in Greenup County Fiscal Court's budget. The Public Properties Corporation has a total of 4 accounts. Checking account, Certificate of Deposit, First Mortgage Refunding Issue 1997, and the First Mortgage Refunding Account. Refunding Rev Bonds and Refunding Issue are simply pass-thru accounts whose revenues are direct payments made by Greenup Fiscal Court and whose expenditures are 100% bond obligations. The Certificate of Deposit (\$199,539) and checking account (\$453) are funds that can be used to meet Public Properties Corporation financial obligations. Expenditures in the 2006 fiscal year were to meet bonded debt obligations.

NON-MAJOR FUNDS

1. The **Local Government Economic Assistance fund** is funded by mineral taxes collected by the State. As of June 30, 2006 it had an unencumbered balance of \$8,861. Greenup County was not considered Coal Impact or Coal Producing and received revenue from Kentucky State Treasurer from gravel operations only. Expenditure categories are restricted by statute and were as follows: 30% protection to person persons and property, and 70% to social services.

2. The **State Grants Fund** is funded by the Kentucky State Treasurer for various community improvement projects. Greenbo Amphitheater received \$56,000 in State Grants and Greenup County Fiscal Court voted to contribute \$16,000 from revolving loan fund on that project. \$91,993 was spent on the Amphitheater project.

3. The **Federal Grants Fund** ended the 2006 fiscal year with an unencumbered balance of \$1,415. The largest revenue and expenditure was a Community Development Block Grant of \$500,000, which in conjunction with a grant to Boyd County was utilized to construct a Vocational Educational building at the Industrial Park. A grant of \$193,166 was received from the Election Assistance Commission to purchase new voting machines. McConnell House Transportation Cabinet grant was received in the amount of \$1,692, and was matched by Heritage Arts and Sciences with \$5,000. The expenditures were made for the purposes for which the grants were received.

4. The **Local Government Economic Development Fund** had a balance of \$3,047 on June 30, 2006. Revenue of \$20,000 was received for the County Fire Departments and \$7,000 was received for renovations at the fair grounds. The prior year carryover of \$15,985, together with the current revenue, was expended for \$25,585 on the Fire Departments, \$7000 at the fairgrounds, and nearly \$7,000 toward tourism Welcome signs.

PROPRIETARY FUND OVERVIEW

Greenup County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Greenup County has only one (1) enterprise fund, the **Jail Canteen Fund**. The Jail Canteen Fund had net assets of \$33,657 as of June 30, 2006 comprised entirely of cash.

Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$994,702. Unanticipated revenues were received in several areas with the largest being the \$500,000 Voc Ed CDBG. Prior year carryover increased revenue by \$291,908. Motor Vehicle Tax, DES reimbursements, Refunds, CERF Grant, KST Service Agreement, Truck License Fee, FEMA, Bank Interest, and Lease reimbursement comprised the remainder of the amendment revenues. The Vocational School and Cemetery grants were expended for the purpose for which they were received; increasing expenditures in reserve for transfer appropriation offset the other amendment revenues.

Capital Assets and Debt Administration.

Capital Assets. Greenup County's investment in capital assets for government activities as of June 30, 2006, amounts to \$14,076,973 (net of accumulated depreciation). This investment in capital assets includes land and land improvements (other than buildings), buildings, furniture and office equipment, vehicles and infrastructure.

Additional information on the County's capital assets can be found in Note 3 of this report.

Greenup County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Percentage
	FY 2005	FY 2006	Change 2005-2006
Infrastructure Assets	\$ 8,732,849	\$ 8,304,596	-4.90%
Land and Land Improvements	2,739,418	2,739,418	0.00%
Buildings	2,211,943	2,230,250	0.83%
Furniture and Office Equipment	222,794	511,614	129.64%
Vehicles and Equipment	359,189	291,085	-18.96%
Total Net Capital Assets	<u>\$ 14,266,193</u>	<u>\$ 14,076,963</u>	-1.33%

Long-Term Debt and Financing Obligations. At the end of the 2006 fiscal year, Greenup County had total long-term debt outstanding of \$3,915,000. This amount includes outstanding revenue bonds in the amount of \$1,315,000 and outstanding financing obligations of \$2,600,555. Details of the outstanding amounts and their purpose can be found in Note 6 of this report.

Requests for Information

The financial report is designed to provide a general overview of Greenup County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Greenup County Treasurer, 301 Main Street Box 3, Greenup, KY 41144.

GREENUP COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

GREENUP COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,259,055	\$ 33,657	\$ 1,292,712
Investments	237,600		237,600
Notes Receivable	20,000		20,000
Total Current Assets	1,516,655	33,657	1,550,312
Noncurrent Assets:			
Notes Receivable	490,000		490,000
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	2,739,418		2,739,418
Buildings	2,230,250		2,230,250
Furniture and Office Equipment	511,614		511,614
Vehicles and Equipment	291,085		291,085
Infrastructure Assets - Net of Accumulated Depreciation	8,304,596		8,304,596
Total Noncurrent Assets	14,566,963		14,566,963
Total Assets	16,083,618	33,657	16,117,275
LIABILITIES			
Current Liabilities:			
Financing Obligations	408,305		408,305
Bonds Payable	190,000		190,000
Total Current Liabilities	598,305		598,305
Noncurrent Liabilities:			
Financing Obligations	2,192,250		2,192,250
Bonds Payable	1,125,000		1,125,000
Total Noncurrent Liabilities	3,317,250		3,317,250
Total Liabilities	3,915,555		3,915,555
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,161,408		10,161,408
Unrestricted	2,006,655	33,657	2,040,312
Total Net Assets	\$ 12,168,063	\$ 33,657	\$ 12,201,720

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,070,382	\$	\$ 1,092,375	\$
Protection to Persons and Property	1,406,918	1,420	511,790	
General Health and Sanitation	387,861		116,957	
Social Services	1,828		1,855	
Recreation and Culture	160,578		64,692	
Roads	2,323,168	7,345	3,155,526	
Interest on Long Term Debt	220,210			
Capital Projects	583,400			
Total Governmental Activities	7,154,345	8,765	4,943,195	
Business-type Activities:				
Jail Canteen	139,824	146,551		
Total Business-type Activities	139,824	146,551		
Total Primary Government	\$ 7,294,169	\$ 155,316	\$ 4,943,195	\$ 0
General Revenues:				
Taxes:				
Real Property Taxes				
Personal Property Taxes				
Motor Vehicle Taxes				
Other Taxes				
Excess Fees				
Licenses and Permits				
Unrestricted Investment Earnings				
Other Revenue				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (978,007)	\$	\$ (978,007)
(893,708)		(893,708)
(270,904)		(270,904)
27		27
(95,886)		(95,886)
839,703		839,703
(220,210)		(220,210)
(583,400)		(583,400)
(2,202,385)		(2,202,385)
	6,727	6,727
	6,727	6,727
(2,202,385)	6,727	(2,195,658)
1,073,012		1,073,012
106,454		106,454
196,300		196,300
842,561		842,561
36,087		36,087
457,244		457,244
72,087		72,087
88,666		88,666
2,872,411		2,872,411
670,026	6,727	676,753
11,498,037	26,930	11,524,967
\$ 12,168,063	\$ 33,657	\$ 12,201,720

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

GREENUP COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	General Fund	Road Fund	Jail Fund	Landfill Fund	Revolving Loan Fund
ASSETS					
Cash and Cash Equivalents	\$ 196,166	\$ 311,769	\$ 943	\$ 78,748	\$ 405,225
Investments					
Interfund Receivable					
Total Assets	<u>\$ 196,166</u>	<u>\$ 311,769</u>	<u>\$ 943</u>	<u>\$ 78,748</u>	<u>\$ 405,225</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Inferfund Payable	\$	\$	\$	\$ 57,078	\$
Total Liabilities				<u>57,078</u>	
FUND BALANCES					
Reserved for:					
Encumbrances	65,621	18,274	16,377	16,328	
Unreserved:					
General Fund	130,545				
Special Revenue Funds		293,495	(15,434)	5,342	405,225
Debt Service Fund					
Total Fund Balances	<u>196,166</u>	<u>311,769</u>	<u>943</u>	<u>21,670</u>	<u>405,225</u>
Total Liabilities and Fund Balances	<u>\$ 196,166</u>	<u>\$ 311,769</u>	<u>\$ 943</u>	<u>\$ 78,748</u>	<u>\$ 405,225</u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 1,496,655
Amounts Reported For Governmental Activities in the Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	23,756,178
Accumulated Depreciation	(9,679,215)
Other Assets Are Not Available to Pay Current Expenditures and Therefore Are Not Reported in the Funds:	
Notes Receivable	510,000
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(2,600,555)
Bonded Debt	<u>(1,315,000)</u>
Net Assets Of Governmental Activities	<u>\$ 12,168,063</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

(Continued)

Emergency 911 Fund	Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$ 36,254	\$ 204,640	\$ 25,310	\$ 1,259,055
	237,600		237,600
	57,078		57,078
<u>\$ 36,254</u>	<u>\$ 499,318</u>	<u>\$ 25,310</u>	<u>\$ 1,553,733</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 57,078</u>
			<u>57,078</u>
			116,600
			130,545
36,254		25,310	750,192
	499,318		499,318
<u>36,254</u>	<u>499,318</u>	<u>25,310</u>	<u>1,496,655</u>
<u>\$ 36,254</u>	<u>\$ 499,318</u>	<u>\$ 25,310</u>	<u>\$ 1,553,733</u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Landfill Fund</u>
REVENUES				
Taxes	\$ 1,768,442	\$	\$	\$
In Lieu Tax Payments	334			
Excess Fees	36,086			
Licenses and Permits	59,664			393,754
Intergovernmental	485,829	3,159,352	461,065	51,719
Charges for Services	33,060	7,345	34,582	
Miscellaneous		1,339	7,573	24,729
Interest	8,947	28,062	405	1,624
Total Revenues	<u>2,392,362</u>	<u>3,196,098</u>	<u>503,625</u>	<u>471,826</u>
EXPENDITURES				
General Government	853,258			
Protection to Persons and Property	79,797		923,877	
General Health and Sanitation	165,640			222,221
Social Services				
Recreation and Culture	53,128			
Roads		1,830,590		
Debt Service		1,483,880		161,588
Capital Projects		83,400		
Administration	484,327	350,007	248,112	36,226
Total Expenditures	<u>1,636,150</u>	<u>3,747,877</u>	<u>1,171,989</u>	<u>420,035</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>756,212</u>	<u>(551,779)</u>	<u>(668,364)</u>	<u>51,791</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds				
Transfers From Other Funds	497,000	363,000	630,005	13,592
Transfers To Other Funds	<u>(1,318,955)</u>	<u>(363,000)</u>		<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>(821,955)</u>		<u>630,005</u>	<u>(36,408)</u>
Net Change in Fund Balances	(65,743)	(551,779)	(38,359)	15,383
Fund Balances - Beginning (Restated)	261,909	863,548	39,302	6,287
Fund Balances - Ending	<u>\$ 196,166</u>	<u>\$ 311,769</u>	<u>\$ 943</u>	<u>\$ 21,670</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Revolving Loan Fund	Emergency 911 Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 404,749	\$	\$	\$ 2,173,191
				334
				36,086
				453,418
			810,661	4,968,626
	1,420			76,407
3,283	5,580		5,000	47,504
19,502	4,991	7,789	768	72,088
<u>22,785</u>	<u>416,740</u>	<u>7,789</u>	<u>816,429</u>	<u>7,827,654</u>
11,405			193,548	1,058,211
	485,363		36,260	1,525,297
				387,861
			1,828	1,828
			107,450	160,578
			6,386	1,836,976
	50,047	256,845		1,952,360
500,000			500,000	1,083,400
	72,078	4		1,190,754
<u>511,405</u>	<u>607,488</u>	<u>256,849</u>	<u>845,472</u>	<u>9,197,265</u>
<u>(488,620)</u>	<u>(190,748)</u>	<u>(249,060)</u>	<u>(29,043)</u>	<u>(1,369,611)</u>
500,000				500,000
75,000	9,000	241,950	15,939	1,845,486
<u>(90,939)</u>	<u>(9,000)</u>		<u>(13,592)</u>	<u>(1,845,486)</u>
<u>484,061</u>		<u>241,950</u>	<u>2,347</u>	<u>500,000</u>
(4,559)	(190,748)	(7,110)	(26,696)	(869,611)
409,784	227,002	506,428	52,006	2,366,266
<u>\$ 405,225</u>	<u>\$ 36,254</u>	<u>\$ 499,318</u>	<u>\$ 25,310</u>	<u>\$ 1,496,655</u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

GREENUP COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(869,611)
--	----	-----------

Governmental Funds Report Capital Outlays as Expenditures.
However, in the Statement of Activities the Cost of Those Assets
Are Allocated Over Their Estimated Useful Lives and
Reported as Depreciation Expense.

Capital Outlay		488,432
Depreciation Expense		(677,662)

Governmental Entities Report Loans Made to and Payments Received From
Other Entities as Revenues and Expenditures. However in the Statement of
Activities Those Amounts Are Not Recorded Because They Are a Reduction
of Corresponding Assets and Liabilities.

Note Receivable Principal Received		(3,283)
Note Receivable Loan Made		500,000

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides
Current Financial Resources to Governmental Funds, While Repayment of Principal
on Long-term Debt Consumes the Current Financial Resources of Governmental
Funds. These Transactions, however, Have No Effect on Net Assets.

Financing Obligation Proceeds		(500,000)
-------------------------------	--	-----------

Lease and Bond Principal Payments Are Expensed in the Governmental Funds
as a Use of Current Financial Resources.

Financing Obligations Principal Paid		1,552,150
Bond Payments		180,000

Change in Net Assets of Governmental Activities	\$	<u>670,026</u>
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GREENUP COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

GREENUP COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 33,657
Total Current Assets	<u>33,657</u>
Net Assets	
Unrestricted	33,657
Total Net Assets	<u><u>\$ 33,657</u></u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 146,551
Total Operating Revenues	<u>146,551</u>
Operating Expenses	
Cost of Sales	105,512
Educational and Recreational	6,957
Equipment	11,383
Miscellaneous	9,012
Total Operating Expenses	<u>132,864</u>
Operating Income	<u>13,687</u>
Nonoperating Revenues (Expenses)	
Inmate Refunds	<u>(6,960)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,960)</u>
Change In Net Assets	6,727
Total Net Assets - Beginning	<u>26,930</u>
Total Net Assets - Ending	<u><u>\$ 33,657</u></u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

GREENUP COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 146,551
Cost of Sales	(105,512)
Educational and Recreational	(6,957)
Equipment	(11,383)
Miscellaneous	(9,012)
Net Cash Provided By Operating Activities	<u>13,687</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	(6,960)
Net Cash Provided By Noncapital Financing Activities	<u>(6,960)</u>
Net Increase in Cash and Cash Equivalents	6,727
Cash and Cash Equivalents - July 1, 2005	<u>26,930</u>
Cash and Cash Equivalents - June 30, 2006	<u>\$ 33,657</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income	<u>\$ 13,687</u>
Net Cash Provided By Operating Activities	<u>\$ 13,687</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Greenup County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its service exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Greenup County, Kentucky Public Properties Corporation

The Greenup County, Kentucky Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the fiscal court. The Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the fiscal court.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Greenup County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Greenup County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Greenup County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Landfill Fund - This fund is funded primarily through landfill permits and fees and is used to maintain garbage haul roads. The landfill is privately owned and operated and the fees are paid by the landfill itself.

Revolving Loan Fund - This fund was established to assist local business through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise.

Emergency 911 Fund - This fund is sustained through fees collected by the local phone company from customers. The fees are for maintaining computer and radio equipment used in providing emergency services in the county.

Public Properties Corporation Fund - This is a blended component unit of the Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility. The Governor's Office For Local Development does not require the fiscal court to report or budget this fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, and Local Government Economic Development Fund.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Landfill Fund, Revolving Loan Fund, Local Government Economic Development Fund, and Emergency 911 fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Courthouse Corporation Fund because bond indentures and other relevant contractual provisions require specific annual payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The following meet the criteria noted above and are reported as jointly governed organizations: Northeast Kentucky Regional Industrial Park Authority, Boyd/Greenup Riverport Authority, and the Ashland Regional Airport

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits and Investments

A. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2006, the County had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Cost</u>	<u>Rating</u>	<u>Concentration</u>
Primary Government:				
Federal National Mortgage Association	05/01/09	\$ 3,010	AAA	1.27%
US Treasury Obligations	02/15/23	193,268	n/a	81.34%
US Treasury Securities	Over 90 days	<u>41,322</u>	n/a	<u>17.39%</u>
	Total	<u>\$ 237,600</u>		<u>100.00%</u>

Interest Rate Risk - Investments

The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk and Concentration of Credit Risk – Investments

KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government; Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity; uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; bankers' acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of the following investments as allowed by KRS 66.480: certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; or securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency. The County had no investment policy that would further limit its investment choices. In general, U.S. government obligations or obligations guaranteed by the U.S. government are not subject to investment credit risk or concentration of credit risk.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2006, the County's investments were not exposed to custodial credit risk.

Note 3. Receivables

- A. The County's Revolving Loan Fund Loaned \$10,000 to the Riverport Authority in November 2001. There were no terms established for repayment and no interest rate was specified. As of June 30, 2006, the principal balance due was \$10,000.
- B. On January 12, 2006, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$500,000. The proceeds were loaned to the Boyd/Greenup Riverport Authority to purchase a certain tract of land, which is evidenced by a promissory note. The note requires the Riverport Authority to repay Greenup County according to the payment schedule contained in the agreement entered into by the Greenup County Fiscal Court with the Kentucky Association of Counties. As of June 30, 2006, the principal balance due was \$500,000.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Interfund Receivable and Payable

The Greenup County Public Properties Corporation paid \$125,000 on June 12, 2001, to purchase property on behalf of the fiscal court. The \$125,000 is to be repaid from Landfill Fund receipts. As of June 30, 2006, the balance due was \$57,078.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,739,418	\$	\$	\$ 2,739,418
Total Capital Assets Not Being Depreciated	2,739,418			2,739,418
Capital Assets, Being Depreciated:				
Buildings	3,327,113	58,958		3,386,071
Furniture and Office Equipment	285,065	346,074		631,139
Vehicles and Equipment	1,394,620			1,394,620
Infrastructure	15,521,530	83,400		15,604,930
Total Capital Assets Being Depreciated	20,528,328	488,432		21,016,760
Less Accumulated Depreciation For:				
Buildings	(1,115,170)	(40,651)		(1,155,821)
Furniture and Office Equipment	(62,271)	(57,254)		(119,525)
Vehicles and Equipment	(1,035,431)	(68,104)		(1,103,535)
Infrastructure	(6,788,681)	(511,653)		(7,300,334)
Total Accumulated Depreciation	(9,001,553)	(677,662)		(9,679,215)
Total Capital Assets, Being Depreciated, Net	11,526,775	(189,230)		11,337,545
Governmental Activities Capital Assets, Net	\$ 14,266,193	\$ (189,230)	\$	\$ 14,076,963

Governmental Activities:

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 55,205
Protection to Persons and Property	52,865
Roads, Including Depreciation of General Infrastructure Assets	569,592
Total Depreciation Expense - Governmental Activities	<u>\$ 677,662</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1997

On September 1, 1997, the Greenup County Public Properties Corporation issued \$2,745,000 of First Mortgage Refunding Revenue Bonds, Series 1997 for the purpose of defeasing the 1990 Series Bond Issue. The 1990 bonds were originally issued to finance the construction of the Greenup County Courthouse Annex and Detention Center Project. The Refunding Bonds dated September 1, 1997, require two semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. Principal payments are due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2006, the principal balance remaining was \$1,315,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 190,000	\$ 67,935
2008	200,000	58,435
2009	215,000	48,235
2010	225,000	37,163
2011	240,000	25,463
2012	245,000	12,862
Totals	<u>\$ 1,315,000</u>	<u>\$ 250,093</u>

B. Road Paving

On May 10, 2002, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$1,300,000 for road paving. The agreement requires variable monthly payments for 120 months to be paid in full May 20, 2012. As of June 30, 2006, the principal balance was \$824,062. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 122,714	\$ 38,888
2008	129,010	32,671
2009	135,629	26,077
2010	142,610	19,146
2011	149,920	11,869
2012	144,179	4,164
Totals	<u>\$ 824,062</u>	<u>\$ 132,815</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

C. Debt Conversion Agreement

On April 8, 2005, the Greenup Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$2,370,000 for the purpose of converting a short-term debt into long-term debt. The agreement requires variable monthly payments for 83 months to be paid in full July 20, 2010. As of June 30, 2006, the principal balance was \$970,000. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 240,000	\$ 42,180
2008	240,000	31,378
2009	240,000	19,859
2010	240,000	7,847
2011	10,000	111
Totals	<u>\$ 970,000</u>	<u>\$ 101,375</u>

D. Emergency 911 Equipment

On December 23, 2003, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$387,173 for E-911 equipment. The agreement requires 120 monthly payments at an interest rate of 3.48 percent to be paid in full January 20, 2014. As of June 30, 2006, the principal balance was \$306,493. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 35,591	\$ 12,510
2008	36,955	11,030
2009	38,372	9,442
2010	39,843	7,843
2011	41,370	6,166
2012-2014	114,362	7,712
Totals	<u>\$ 306,493</u>	<u>\$ 54,703</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

E. Boyd/Greenup Riverport Authority Land Purchase

On January 12, 2006, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$500,000. The proceeds were loaned to the Boyd/Greenup Riverport Authority to purchase a certain tract of land. The agreement requires 340 monthly payments at a variable interest rate to be paid in full January 20, 2034. As of June 30, 2006, the principal balance was \$500,000. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 10,000	\$ 24,307
2008	10,000	24,390
2009	10,000	24,149
2010	10,000	23,649
2011	10,000	23,134
2012-2016	55,000	108,141
2017-2021	75,000	91,451
2022-2026	100,000	69,664
2027-2031	130,000	41,516
2032-2034	90,000	8,011
Totals	<u>\$ 500,000</u>	<u>\$ 438,412</u>

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 1,495,000		\$ 180,000	\$ 1,315,000	\$ 190,000
Financing Obligations	<u>3,652,705</u>	<u>500,000</u>	<u>1,552,150</u>	<u>2,600,555</u>	<u>408,305</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 5,147,705</u>	<u>\$ 500,000</u>	<u>\$ 1,732,150</u>	<u>\$ 3,915,555</u>	<u>\$ 598,305</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Insurance

For the fiscal year ended June 30, 2006, Greenup County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Prior Period Adjustments

The beginning fund balances of the General Fund, Road Fund, and E-911 Fund have been increased by \$1,259, \$25, and \$65 respectively, for prior year voided checks.

Note 10. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004 and thereafter are recorded at actual historical cost.

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GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,655,200	\$ 1,655,200	\$ 1,768,442	\$ 113,242
In Lieu Tax Payments			334	334
Excess Fees	26,475	26,475	36,086	9,611
Licenses and Permits	55,000	55,000	59,664	4,664
Intergovernmental Revenue	443,600	458,460	485,829	27,369
Miscellaneous	29,000	29,000	33,060	4,060
Interest	4,700	4,700	8,947	4,247
Total Revenues	<u>2,213,975</u>	<u>2,228,835</u>	<u>2,392,362</u>	<u>163,527</u>
EXPENDITURES				
General Government	852,600	933,278	853,258	80,020
Protection to Persons and Property	117,300	126,569	79,797	46,772
General Health and Sanitation	177,500	179,400	165,640	13,760
Recreation and Culture	53,000	56,000	53,128	2,872
Debt Service	241,300	241,300		241,300
Administration	522,275	554,196	484,327	69,869
Total Expenditures	<u>1,963,975</u>	<u>2,090,743</u>	<u>1,636,150</u>	<u>454,593</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>250,000</u>	<u>138,092</u>	<u>756,212</u>	<u>618,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	150,000	150,000	497,000	347,000
Transfers To Other Funds	<u>(550,000)</u>	<u>(550,000)</u>	<u>(1,318,955)</u>	<u>(768,955)</u>
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(821,955)</u>	<u>(421,955)</u>
Net Changes in Fund Balance	(150,000)	(261,908)	(65,743)	196,165
Fund Balance - Beginning	<u>150,000</u>	<u>261,908</u>	<u>261,909</u>	<u>1</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 196,166</u>	<u>\$ 196,166</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,017,951	\$ 3,086,735	\$ 3,159,352	\$ 72,617
Charges for Services	2,000	2,000	7,345	5,345
Miscellaneous	1,000	1,000	1,339	339
Interest	5,000	10,000	28,062	18,062
Total Revenues	<u>3,025,951</u>	<u>3,099,735</u>	<u>3,196,098</u>	<u>96,363</u>
EXPENDITURES				
Roads	1,466,000	1,909,288	1,830,590	78,698
Debt Service	1,766,000	1,489,400	1,483,880	5,520
Capital Projects		83,400	83,400	
Administration	393,951	381,376	350,007	31,369
Total Expenditures	<u>3,625,951</u>	<u>3,863,464</u>	<u>3,747,877</u>	<u>115,587</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(600,000)</u>	<u>(763,729)</u>	<u>(551,779)</u>	<u>211,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			363,000	363,000
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(363,000)</u>	<u>(263,000)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>		<u>100,000</u>
Net Changes in Fund Balance	(700,000)	(863,729)	(551,779)	311,950
Fund Balance - Beginning	<u>700,000</u>	<u>863,729</u>	<u>863,548</u>	<u>(181)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 311,769</u>	<u>\$ 311,769</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 540,000	\$ 540,000	\$ 461,065	\$ (78,935)
Charges for Services	59,100	59,100	34,582	(24,518)
Miscellaneous	1,000	8,298	7,573	(725)
Interest	200	200	405	205
Total Revenues	600,300	607,598	503,625	(103,973)
EXPENDITURES				
Protection to Persons and Property	887,320	944,373	923,877	20,496
Administration	272,980	252,527	248,112	4,415
Total Expenditures	1,160,300	1,196,900	1,171,989	24,911
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(560,000)	(589,302)	(668,364)	(79,062)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	550,000	550,000	630,005	80,005
Total Other Financing Sources (Uses)	550,000	550,000	630,005	80,005
Net Changes in Fund Balance	(10,000)	(39,302)	(38,359)	943
Fund Balance - Beginning	10,000	39,302	39,302	
Fund Balance - Ending	\$	\$	\$ 943	\$ 943

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 430,000	\$ 430,000	\$ 393,754	\$ (36,246)
Intergovernmental Revenue	40,000	40,000	51,719	11,719
Miscellaneous	3,000	3,000	24,729	21,729
Interest	500	500	1,624	1,124
Total Revenues	473,500	473,500	471,826	(1,674)
EXPENDITURES				
General Health and Sanitation	228,500	253,676	222,221	31,455
Debt Service	151,600	165,600	161,588	4,012
Administration	53,400	67,589	36,226	31,363
Total Expenditures	433,500	486,865	420,035	66,830
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	40,000	(13,365)	51,791	65,156
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			13,592	13,592
Transfers To Other Funds	(50,000)	(50,000)	(50,000)	
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(36,408)	13,592
Net Changes in Fund Balances	(10,000)	(63,365)	15,383	78,748
Fund Balances - Beginning	10,000	63,365	63,365	
Fund Balances - Ending	\$	\$	\$ 78,748	\$ 78,748

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 78,748
Borrowed Funds From The Public Properties Corporation Recorded as an Interfund Payable	57,078
Fund Balance Ending	\$ 21,670

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 500	\$ 500	\$	\$ (500)
Miscellaneous	35,000	35,000	3,283	(31,717)
Interest	1,000	1,000	19,502	18,502
Total Revenues	36,500	36,500	22,785	(13,715)
EXPENDITURES				
General Government	110,000	110,000	11,405	98,595
Capital Projects		500,000	500,000	
Administration	341,500	341,500		341,500
Total Expenditures	451,500	951,500	511,405	440,095
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(415,000)	(915,000)	(488,620)	426,380
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds		500,000	500,000	
Transfers From Other Funds			75,000	75,000
Transfers To Other Funds			(90,939)	(90,939)
Total Other Financing Sources (Uses)		500,000	484,061	(15,939)
Net Changes in Fund Balances	(415,000)	(415,000)	(4,559)	410,441
Fund Balances - Beginning	415,000	415,000	409,784	(5,216)
Fund Balances - Ending	\$	\$	\$ 405,225	\$ 405,225

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 450,000	\$ 450,000	\$ 404,749	\$ (45,251)
Charges for Services	50,000	50,000	1,420	(48,580)
Miscellaneous			5,580	5,580
Interest	50	5,102	4,991	(111)
Total Revenues	<u>500,050</u>	<u>505,102</u>	<u>416,740</u>	<u>(88,362)</u>
EXPENDITURES				
Protection to Persons and Property	288,000	357,900	485,363	(127,463)
Debt Service	45,618	45,618	50,047	(4,429)
Administration	171,432	140,188	72,078	68,110
Total Expenditures	<u>505,050</u>	<u>543,706</u>	<u>607,488</u>	<u>(63,782)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(38,604)</u>	<u>(190,748)</u>	<u>(152,144)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			9,000	9,000
Transfers To Other Funds			(9,000)	(9,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	(5,000)	(38,604)	(190,748)	(152,144)
Fund Balances - Beginning	<u>5,000</u>	<u>38,604</u>	<u>227,002</u>	<u>188,398</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 36,254</u>	<u>\$ 36,254</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2006

GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	LGEA Fund	State Grants Fund	Federal Grants Fund	LGED Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,861	\$ 11,987	\$ 1,415	\$ 3,047	\$ 25,310
Total Assets	<u>\$ 8,861</u>	<u>\$ 11,987</u>	<u>\$ 1,415</u>	<u>\$ 3,047</u>	<u>\$ 25,310</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 8,861	\$ 11,987	\$ 1,415	\$ 3,047	\$ 25,310
Total Fund Balances	<u>\$ 8,861</u>	<u>\$ 11,987</u>	<u>\$ 1,415</u>	<u>\$ 3,047</u>	<u>\$ 25,310</u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	LGEA Fund	State Grants Fund	Federal Grants Fund	LGED Fund
REVENUES				
Intergovernmental	\$ 7,340	\$ 81,463	\$ 694,858	\$ 27,000
Miscellaneous			5,000	
Interest	77	444	99	148
Total Revenues	<u>7,417</u>	<u>81,907</u>	<u>699,957</u>	<u>27,148</u>
EXPENDITURES				
General Government		382	193,166	
Protection to Persons and Property	658	10,017		25,585
Social Services	1,500	328		
Recreation and Culture		92,949		14,501
Other Transportation Facilities and Services			6,386	
Capital Projects			500,000	
Total Expenditures	<u>2,158</u>	<u>103,676</u>	<u>699,552</u>	<u>40,086</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,259</u>	<u>(21,769)</u>	<u>405</u>	<u>(12,938)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		15,939		
Transfers To Other Funds		(13,592)		
Total Other Financing Sources (Uses)		<u>2,347</u>		
Net Change in Fund Balances	5,259	(19,422)	405	(12,938)
Fund Balances - Beginning	3,602	31,409	1,010	15,985
Fund Balances - Ending	<u>\$ 8,861</u>	<u>\$ 11,987</u>	<u>\$ 1,415</u>	<u>\$ 3,047</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006
(Continued)

Total Non-Major Governmental Funds
<u> </u>
\$ 810,661
5,000
<u>768</u>
<u>816,429</u>
<u> </u>
193,548
36,260
1,828
107,450
6,386
<u>500,000</u>
<u>845,472</u>
<u> </u>
<u>(29,043)</u>
<u> </u>
15,939
<u>(13,592)</u>
<u>2,347</u>
<u> </u>
(26,696)
52,006
<u>\$ 25,310</u>
<u> </u>

The accompanying notes are an integral part of the financial statements.

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GREENUP COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GREENUP COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2006

Federal Grantor			
Program Title	Pass-Through		
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	
Cash Programs:			
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Governor's Office for Local Development:			
Community Development Block Grants-			
Ashland Community and Technical College			
Job Skill Training Program			
(CFDA #14.228)	Not Available	\$	500,000
Disaster Relief CERF Project			
(CFDA #14.228)	Not Available		4,000
<u>U.S. Department of Homeland Security</u>			
Passed-Through State Department of Military Affairs:			
Public Assistance Grants-			
February 2003 Severe Weather			
(CFDA #83.544)			27,176
May 2003 Severe Weather			
(CFDA #83.544)			11,227
<u>Election Assistance Commission</u>			
Passed-Through Kentucky State Board of Elections			
Help America Vote Act			
(CFDA # 90.401)			193,166
<u>U.S. Department of Transportation</u>			
ISETEA Grant-			
McConnell House Renovation			
(CFDA #20.205)			6,385
Total Cash Expenditures of Federal Awards		\$	741,954

GREENUP COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2006

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenup County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Greenup County Fiscal Court provided federal awards to the following subrecipient:

- Ashland Community and Technical College

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 8, 2006. Greenup County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenup County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Greenup County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

December 8, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Greenup County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Greenup County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Greenup County's management. Our responsibility is to express an opinion on Greenup County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greenup County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Greenup County's compliance with those requirements.

In our opinion, Greenup County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Greenup County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Greenup County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

December 8, 2006

GREENUP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2006

**GREENUP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Greenup County Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Greenup County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Greenup County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Greenup County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grants, CFDA #14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Greenup County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None

REPORTABLE CONDITIONS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

D. PRIOR YEAR FINDINGS

None

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

GREENUP COUNTY FISCAL COURT

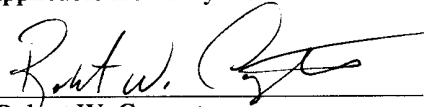
**For The Fiscal Year Ended
June 30, 2006**

Appendix A

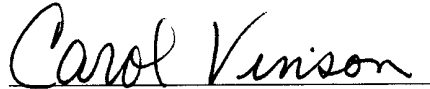
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
GREENUP COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

The Greenup County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Robert W. Carpenter
Greenup County Judge/Executive



Carol Vinson
Greenup County Treasurer

